

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** July 17, 2007  
**POSITION:** Oppose  
**SPONSOR:** County School Facilities Consortia

**BILL NUMBER:** SB 704  
**AUTHOR:** D. Ducheny

### **BILL SUMMARY:** New Construction Grants: Special Education Increase

This bill would increase per pupil grants for special education new construction projects (approved after July 1, 2006) for all the following: 1) the recently approved per pupil grant increases of 7 percent or 4 percent (for elementary/middle school and high school projects, respectively) authorized by Proposition 1D, 2) any future annual increases provided by the State Allocation Board pursuant to Proposition 1D, and 3) a 6 percent increase specifically authorized by this bill.

### **FISCAL SUMMARY**

This bill would increase cost pressures on bond funds by tens of millions while reducing the number of projects to be completed with current and future funding. Any adjustment to the new construction special education grant would likely be half of what the actual cost to the state will be because many special education facilities are operated by county offices of education that automatically qualify for financial hardship, with the state paying 100 percent of the facilities costs.

### **SUMMARY OF CHANGES**

Amendments to this bill since our analysis of the May 14<sup>th</sup> version do not change our position. Specifically, the July 17<sup>th</sup> version would simply delete a requirement that the State Allocation Board (SAB) adopt regulations to implement the increases by April 30, 2008.

### **COMMENTS**

Finance is opposed to this bill for the following reasons:

- There is no evidence that new construction grants for special education pupils are inadequate. Furthermore, although Proposition 1D provided specific negotiated increases for regular new construction grants, no additional funds were provided to increase special education grants. Any decision to do so should only be made within the context of future bond negotiations.
- Per-pupil grants for severe and non-severe special education pupils are typically more than double the regular per-pupil grant and are annually adjusted to reflect construction cost changes. The most recent adjustment, effective January 1, 2007, increased the severe per-pupil grant from \$22,572 to \$24,066 and increased the non-severe per-pupil grant from \$15,096 to \$16,095.
- Beyond the new construction grant, an additional grant is available for the area of special education therapy rooms, funded on a cost per square foot basis.

Analyst/Principal (0341) T. Todd	Date	Program Budget Manager Jeannie Oropeza	Date
-------------------------------------	------	---	------

Department Deputy Director	Date
----------------------------	------

Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
----------------------	-----------------------------

D. Ducheny

July 17, 2007

SB 704

**ANALYSIS****A. Programmatic Analysis**

Senate Bill 50 (Chapter 407, Statutes of 1998) established the Leroy F. Greene State School Facilities Program (SFP). The SFP requires the SAB to utilize a per-pupil formula to provide funding for school facilities new construction on a 50/50 state and local match basis. The new construction grant is based on the number of pupils in the project. Under the SFP, K-6 classrooms are loaded with 25 pupils, grades 7-12 are loaded with 27 pupils, severe special education classrooms are loaded with 9 pupils, and non-severe special education classrooms are loaded with 13 pupils. The special education grants are established at a higher level than regular new construction grants to provide enhanced electrical and plumbing fixtures, more accessible doors and grab bars, extra sinks, casework, restrooms, changing areas, living skills space, and other facilities for students with exceptional needs. Currently, the per-pupil grant for severe special education pupils is \$24,066 and for non-severe special education pupils is \$16,095. In comparison, the regular per-pupil grants for grades K-6 is \$8,081, for grades 7-8 is \$8,546, and for grades 9-12 is \$10,873.

In addition, there is a supplemental grant which provides additional funding for the area for special education therapy rooms, not to exceed 3,000 square feet, and an additional 750 square feet per additional classroom needed for severely disabled individuals with exceptional needs. This supplemental funding is based on a square foot amount which is currently \$252 per square foot for toilet facilities and \$139 per square foot for other facilities.

Proposition 1D provided an increase to the SFP new construction base grant of seven percent for elementary and middle school projects and four percent for high school projects. However, this increase did not apply to special education per-pupil grants. This bill would provide a supplemental apportionment of six percent to school districts for new construction projects approved on or after July 1, 2006, for special education classrooms. This 6 percent adjustment is based on a weighted average of the number of grades receiving the 7 percent and 4 percent increases. This bill would also require that future adjustments to the regular per-pupil grant shall also apply to the per-pupil special education grants.

We note that the language in section 17072.10(c) of the July 17 version of SB 704 would require the 7, 7, and 4 percent increases and the 6 percent increase be applied to the special education grants. However, it is our understanding through communication with the author's office that the intent of this language is to only apply the 6 percent increase (retroactive to July 1, 2006) to the special education grants and to ensure that future per-pupil grant adjustments (excluding the recent 7, 7, and 4 percent adjustments) are also applied to the special education per-pupil grants.

**B. Fiscal Analysis**

This bill would increase cost pressures on bond funds by tens of millions of dollars. The current per-pupil grant for a non-severe special education pupil is \$16,095. This grant would be increased up to \$18,255 per-pupil, assuming the grant receives adjustments of 7 percent (per Proposition 1D) and the 6 percent increase authorized by this bill ( $\$16,095 * 1.06 * 1.07 = \$18,255$ ), a difference of \$2,160. There is approximately \$3 billion remaining in new construction bond funds. Assuming that 300 new construction projects are completed with the remaining funds, with one non-severe classroom for each project, the total increased cost due to this bill would be \$8.4 million ( $[\$2,160 * \text{loading standard of } 13] * 300 \text{ projects} = \$8,424,000$ ). This number could represent half of the total cost to the state because many special education facilities are operated by county offices of education that automatically qualify for financial hardship, with the state paying one hundred percent of the facilities costs. This estimate does not include any grants that may be provided for severe special education classrooms. Also, this number does not include any additional or excessive cost hardship grants that a district may receive. Thus, actual cost pressures would likely be much higher than the above example.

## AUTHOR

**AMENDMENT DATE**

**BILL NUMBER**

D. Ducheny

July 17, 2007

SB 704

In May, the Office of Public School Construction (OPSC) indicated that an increase in funding of at least \$5 million would be necessary to supplement the funding provided for special education classrooms in projects approved since July 1, 2006. This estimate was based on previous versions of the bill that would have provided a 7 percent or 4 percent increase to the special education per-pupil grants. The current version of this bill will instead provide for the 7 percent or 4 percent increase as well as the 6 percent increase to the grants, retroactive to July 1, 2006. An updated cost estimate from OPSC is not available, however an additional \$414 million has been approved for K-12 new construction projects since the previous estimate, and thus the \$5 million estimate provided previously is likely conservative. In addition, OPSC has indicated previously that this is a minimum estimate as per-pupil grant adjustments also affect the additional and excessive cost hardship grants that a district may receive and those additional and excessive cost hardship grant adjustments were not included in the estimate.

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Code
6350/Facil Aid	LA	No		-----	See Fiscal Analysis	-----			6044
6350/Facil Aid	LA	No		-----	See Fiscal Analysis	-----			6057
1760/Dept Gen Svc	SO	No		-----	No/Minor Fiscal Impact	-----			6044
1760/Dept Gen Svc	SO	No		-----	No/Minor Fiscal Impact	-----			6057
<u>Fund Code</u>	<u>Title</u>								
6044	School Facilities Fund, 2004 State								
6057	School Facilities Fund, 2006 State								